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ARIZONA ECONOMIC TRENDS

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Job Creation in State Should Pick Up in '93

Economic conditions nationwide have shown little improvement since DES, Research Administration issued its two-year employment forecast for Arizona in late February. Among major U.S. economic indicators, unemployment has remained relatively high, consumer spending has remained weak, and interest rates have continued to fall due to lack of demand for capital.

U.S. unemployment figures for August revealed an almost negligible decline of one-tenth of one percent from July, to 7.6 percent still well above a rate of 7.1 percent at the beginning of the year. Currently, nearly 10 million people who want to work cannot find work, and about 1.2 million others are estimated to be discouraged from looking for a job, believing there simply are no jobs available.

The relatively high unemployment rates, however, contrast with higher profits reported by many corporations. Many of these improved financial reports are the result of major cost-cutting efforts — such as large reductions in white- and blue-collar positions — and are pitted against the rather poor performances of the previous year. Nevertheless, industry analysts are continuing to revise downward their earlier 1992 profit estimates for mid-size and Fortune 500 companies.

It's no wonder that consumers, trying to make sense of all of this, are

IN THIS ISSUE

Volume 16 No. 9

	Page
Job Growth Should Pick Up in '93 ...	1
Indicators Point to Slow Growth.....	1
Arizona's Workforce in July	9
Legislature Works on Job Creation .	15
Arizona Labor Market Indicators.....	17
Industry Update	18

Forecast Update

Variables Indicate Slow Growth, Not Another Recession

Research Administration's two-year employment and labor market forecasts are primarily the product of the Arizona Employment Forecasting Model (AEFM). The AEFM is a 200-equation econometric model that simulates various economic scenarios to produce employment projections for Arizona and its major substate regions.

Variables used in the model include forecasts of statewide employment, unemployment, and population data, as well as national factors, such as interest rates and the inflation rate. Research Administration (RA) uses U.S. economic forecasts derived by The WEFA Group, a Pennsylvania-based national forecasting organization.

The major assumption underlying RA's updated forecast for 1992-93 is that there will be a weak, but continuing recovery during the forecast period. While national employment numbers continue to be disappointingly weak, RA agrees with The WEFA Group that modest growth is more likely than another national recession.

The WEFA Group expects Real Gross Domestic Product (GDP) to grow by 2 percent in 1992 (on an annualized basis), before picking

(continued on back page)

standing on the sidelines, unwilling to commit to small and large purchases. Consumer spending is resultantly far more conservative than just a few years ago, but then there is much the consumer has had to digest. Debt levels for consumers, businesses, and governments are either near or at all-time highs. And demand for borrowing, according to May figures, was at a record low.

Low Rates Should Help Economy

Although the U.S. economy is currently in recovery, it is at a far slower pace than most analysts earlier expected. On the other hand, there are many positive factors that should eventually help bolster the national (and Arizona's) economy.

Current monetary policy has managed to keep inflationary factors relatively low, as reflected in recently released producer and consumer price indices. In addition, mortgage interest rates are at near 20-year lows, and the discount rate — the rate the Federal Reserve Bank charges banks for funds — is the lowest in nearly 30 years.

Arizona

Arizona has certainly not been immune to these national trends. During the first six months of 1992, Arizona's economy, as measured by wage and salary employment growth, has been anemic. Arizona payroll employment grew an annual average of four-tenths of one percent during the first two quarters, compared with annual growth of nine-tenths of one percent for 1991.

And although the state has continued to show over-the-year wage and salary job gains each month, the margins have been diminishing of late. June and July 1992 figures revealed the lowest over-the-year job-growth levels since the early 1980s.

But there are some signs of moderate strength in Arizona. The most significant of these is the rebound of the construction sector, which through August has had six consecutive months of employment growth, with some 3,300 construction jobs having been added. And as housing buyers respond to lower interest rates and attractive prices, related industries (e.g., non-durable goods manufacturing, real estate, finance) are beginning to show enhanced results, as well.

Figure 1

Arizona vs. U.S. Unemployment Rates, Actual (1984-1991) and Projected (1992, 1993)

Source: Arizona Dept. of Economic Security, Research Administration, August 1992; U. S. Dept. of Labor, Bureau of Labor Statistics, 1984-1991; and The WEFA Group, August 1992

7,400 New Payroll Jobs in '92

Research Administration's updated forecast predicts Arizona's wage and salary employment will grow by an annual average of five-tenths of one percent in 1992, or an additional 7,400 jobs. And provided interest rates and inflationary factors remain low and consumer confidence improves, moderate gains in employment are expected in 1993.

Arizona's construction industry employment is projected to average 1.8 percent growth for 1992. This will be the first employment gain this industry has seen since 1986. The forecast for 1993 is for continued growth with an average employment increase of 2.3 percent.

In an environment of continuing low interest rates and property affordability, consumer demand should continue to improve, especially in the residential real estate market. Oversupply still plagues the non-residential market, but this with time should change.

Research Administration forecasts manufacturing employment will decline 4.5 percent in 1992, averaging only 168,600 jobs for the year. Job losses will be primarily in the durable-goods group where the machinery, and aircraft and missiles sectors have borne the brunt of the declines in recent years.

U.S. Department of Defense cutbacks are expected to result in further layoffs in Arizona's manufacturing sector throughout 1992. Regionally, Maricopa County should be impacted the most. With layoff activity expected to diminish in 1993, manufacturing employment is projected to sustain only a one-tenth of one percent loss next year.

The transportation, communications, and public utilities (TCPU)

group is projected to finish 1992 with an employment loss of 2.2 percent, or 1,800 jobs. And the following year, TCPU is expected to have a slight gain of eight-tenths of one percent, or an increase of 600 jobs over 1992 levels.

Transportation companies, airlines in particular, have been facing intense competition and, as a result, slim profit margins. Companies have been forced to enact serious cost-cutting measures due to price-matching efforts, in order to maintain a position in the marketplace. Further, the public utilities sector has continued its cost-cutting efforts.

Research Administration (RA) expects Arizona's trade industry will end 1992 with a slim one-tenth of one percent employment increase, or a mere 400 new jobs. Only the automotive sector is expected to show any marked improvement, but this follows a couple of years of employment decreases.

Arizona's trade industry — at both the retail and wholesale levels — has had declining employment growth rates since 1984. Both local and national economies have contributed to trade's slower growth, since growth in this industry group typically reflects consumer confidence and financial strength.

The forecast for trade in 1993 is for a slow, but stable rebound of 1.7 percent job growth, as consumer confidence grows due to improved general economic trends.

Several Factors Hurting FIRE

Within the last several years, the finance, insurance, and real estate (FIRE) group has seen the effects of deregulation, the savings and loan crisis, increased competition, mergers and acquisitions, and consolidations. The results of these events are still prevalent, but should begin to wane after 1992.

RA forecasts FIRE to end 1992 with an eight-tenths of one percent employment loss with FIRE resurging in 1993 with modest 1.5 percent growth.

Figure 2

Arizona Wage and Salary Employment Growth Rates, Actual (1984-1991) and Projected (1992, 1993)

Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Table 1

Arizona Labor Force, Employment, and Unemployment Data, Actual (1991) and Projected (1992, 1993)

(in Thousands)

	1991	Growth Rate	1992	Growth Rate	1993	Growth Rate
Labor Force	1,704.0	-1.3%	1,735.1	1.8%	1,755.8	1.2%
Unemployment	96.0	4.3%	126.1	31.4%	114.9	-8.9%
Unemployment Rate	5.6%	—	7.3%	—	6.5%	—
Total Employment	1,608.0	-1.6%	1,609.0	0.1%	1,640.9	2.0%
Total Wage and Salary Employment[a]	1,497.6	0.8%	1,505.0	0.5%	1,534.1	1.9%
Manufacturing	176.5	-4.9%	168.6	-4.5%	168.5	-0.1%
Mining	13.6	7.9%	14.2	4.4%	14.4	1.4%
Construction	77.5	-6.3%	78.9	1.8%	80.7	2.3%
TCPU[b]	80.9	-1.5%	79.1	-2.2%	79.7	0.8%
Trade	373.3	1.4%	373.7	0.1%	379.9	1.7%
FIRE[c]	92.7	-1.5%	92.0	-0.8%	93.4	1.5%
Services	412.0	2.6%	420.5	2.1%	432.9	2.9%
Government	271.2	4.7%	277.9	2.5%	284.7	2.4%

Notes: a) Totals may not add due to rounding
b) Transportation, Communications, and Public Utilities
c) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Mortgage-refinancing and credit-card servicing activity is expected to boost employment in the finance sector.

The services industry in Arizona continues to show resiliency. Over the last couple of years, only the hotels/motels sector has reflected signs of weakness by having to pare employment. This industry is heavily linked to discretionary spending, reduced by the weak national economy. RA expects employment in hotels/motels, however, will improve over the next 18 months.

Overall, RA projects services will add 8,500 jobs, or an increase of 2.1 percent, in 1992. Tourism should rebound slowly; business services and health services will maintain lower, yet attractive rates of job growth. In 1993, services employment is projected to grow at a rate of 2.9 percent.

Arizona's mining industry will continue to create jobs in 1992. Higher copper prices (see "Industry Update," p. 18), coupled with below-average inventories, should result in increased mining activity. For 1992, mining employment is expected to increase by 600, or a 4.4 percent growth rate. Both domestic and international producer demand should fuel this growth. For 1993, mining jobs are expected to grow 1.4 percent.

Jobless Rate to Drop in '93

Finally, the seasonally adjusted unemployment rate is expected to end 1992 averaging 7.3 percent, up dramatically from 5.6 percent in 1991. But in 1993, the state's rate is expected to move downward to an average of 6.5 percent.

Meanwhile, total employment — which includes wage and salary employment, plus the self-employed, agricultural workers, domestic workers, and unpaid family members — is expected to grow by one-tenth of one percent in 1992, quite an improvement compared to a loss of 1.6 percent in 1991. An increase in total employment of 2 percent is projected for 1993. Much of the improvement will be coincident with national

Figure 3

Arizona vs. U.S. Construction Employment Growth Rates, Actual (1984-1991) and Projected (1992, 1993)

Source: Arizona Dept. of Economic Security, Research Administration, August 1992; U.S. Dept. of Labor, Bureau of Labor Statistics, 1984-1991; and The WEFA Group, August 1992

Figure 4

Arizona vs. U.S. Manufacturing Employment Growth Rates, Actual (1984-1991) and Projected (1992, 1993)

Source: Arizona Dept. of Economic Security, Research Administration, August 1992; U.S. Dept. of Labor, Bureau of Labor Statistics, 1984-1991; and The WEFA Group, August 1992

economic improvements and enhanced consumer confidence levels.

In summary, Arizona's economy is expected to sustain slow, yet positive job growth for the rest of 1992 and 1993, in spite of the recent national recession. Low interest rates, housing affordability, and pent-up demand for homes should fuel additional job growth. Also, trade and services employment is expected to rebound as consumer confidence improves and discretionary spending increases. And government employment is expected to increase, but at slower growth rates than seen in previous years.

Maricopa County

Maricopa County's total wage and salary employment dropped slightly (0.1 percent) in 1991. And Research Administration's updated forecast calls for wage and salary employment to decline an additional 0.2 percent in 1992 with losses occurring in manufacturing, TCPU, trade, and FIRE. By 1993, all of these major industry groups should return to positive growth with overall wage and salary employment growing 1.9 percent.

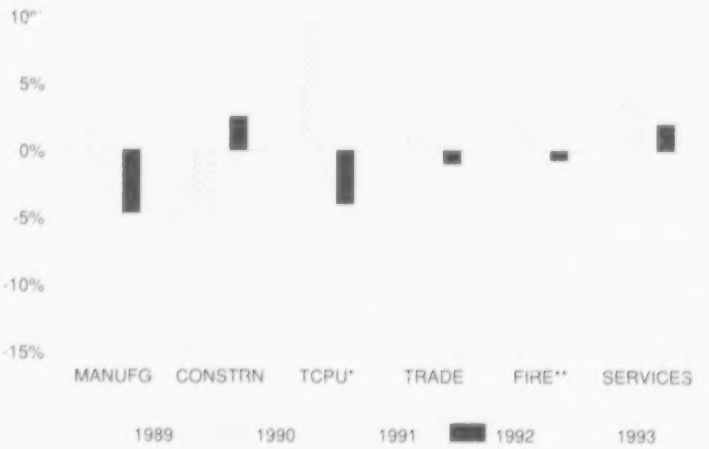
Among major industry groups, trade, services, and government traditionally have showed the strongest job growth in Arizona, as well as in Maricopa County. These three industries account for more than two-thirds of the wage and salary jobs in the county.

But while services and government should continue to create jobs during the forecast period in Maricopa County, trade employment is expected to decline. RA's updated forecast calls for trade employment to fall by 2,400 in 1992, but regain strength in '93 with the addition of 3,600 jobs. Services employment is projected to increase by 5,600 in 1992 and 9,000 in 1993. Finally, government should end 1992 with an increase of 2,900 jobs, then gain another 3,200 positions in 1993.

The construction industry, which lost 4,300 jobs in 1991, this year should post its first over-the-year gain since 1985. RA's updated forecast

Figure 5

Maricopa County Wage and Salary Employment Growth Rates, by Selected Major Industry Groups, Actual (1984-1991) and Projected (1992, 1993)



*TCPU = TRANSPORTATION, COMMUNICATIONS, AND PUBLIC UTILITIES
**FIRE = FINANCE, INSURANCE, AND REAL ESTATE

Source: *Arizona Dept. of Economic Security, Research Administration, August 1992*

Table 2

Maricopa County Labor Force, Employment, and Unemployment Data, Actual (1991) and Projected (1992, 1993)

(in Thousands)

	1991	Growth Rate	1992	Growth Rate	1993	Growth Rate
Labor Force	1,054.8	-2.4%	1,062.9	0.8%	1,076.4	1.3%
Unemployment	51.4	10.5%	66.3	29.0%	59.6	-10.1%
Unemployment Rate	4.9%	—	6.2%	—	5.5%	—
Total Employment	1,003.4	-3.0%	996.6	-0.7%	1,016.8	2.0%
Total Wage and Salary Employment[a]	984.3	-0.1%	982.8	-0.2%	1,001.4	1.9%
Manufacturing	132.2	-4.8%	126.0	-4.7%	126.4	0.3%
Mining	0.7	-12.5%	0.8	14.3%	0.8	0.0%
Construction	51.1	-7.8%	52.4	2.5%	53.7	2.5%
TCPU[b]	57.3	-2.6%	55.0	-4.0%	55.1	0.2%
Trade	247.9	0.1%	245.5	-1.0%	249.1	1.5%
FIRE[c]	74.0	-1.9%	73.5	-0.7%	74.6	1.5%
Services	280.6	2.4%	286.2	2.0%	295.2	3.1%
Government	140.5	4.4%	143.4	2.1%	146.6	2.2%

Notes: a) Totals may not add due to rounding
b) Transportation, Communications, and Public Utilities
c) Finance, Insurance, and Real Estate

Source: *Arizona Dept. of Economic Security, Research Administration, August 1992*

calls for job growth of 2.5 percent in both 1992 and 1993.

Turning to manufacturing, defense-related cutbacks are expected to result in further employment declines for the durable goods sector in Maricopa County in '92, as well as '93. Non-durable goods manufacturing, however, should finish 1992 with positive, but weak job growth, after non-durable goods employment declined 3.4 percent in '91.

For 1993, continued improvements in non-durable goods employment should help offset somewhat employment declines in the durable goods sector. The manufacturing industry as a whole is expected to lose an additional 6,200 jobs in 1992, before adding 400 new positions in 1993.

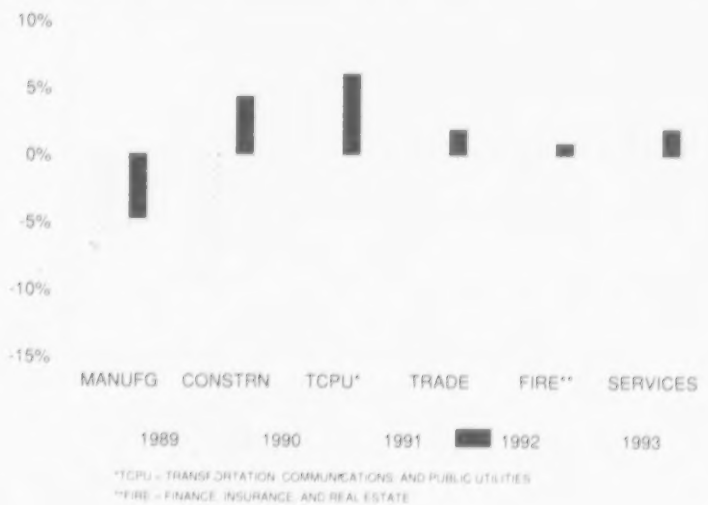
The transportation, communications, and public utilities (TCPU) industry group is expected to drop 2,300 positions in 1992. Declines in the transportation sector should account for most of this loss; with cutbacks in the communications and public utilities sectors coming to an end. Minor job growth is forecast for 1993, but weakness within TCPU will be apparent with the expected addition of only 100 jobs.

The finance, insurance, and real estate (FIRE) industry group lost 1,400 jobs in 1991 with most of the loss attributed to the finance sector. Employment declines are predicted to continue for the finance sector in 1992 with moderate growth occurring by 1993. Modest growth is expected for the insurance and real estate sectors in both forecast years. FIRE as a whole is forecast to be down 500 jobs in 1992, but add 1,100 jobs in 1993.

The unemployment rate in Maricopa County increased by six tenths of a percentage point in 1991, to 4.9 percent (on an annual average basis). RA's forecast calls for the unemployment rate to increase by 1.3 percentage points in 1992, averaging 6.2 percent. Improved employment opportunities in 1993 should help lower the rate to 5.5 percent.

Figure 6

Pima County Wage and Salary Employment Growth Rates, by Selected Major Industry Groups, Actual (1984-1991) and Projected (1992, 1993)



Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Table 3

Pima County Labor Force, Employment, and Unemployment Data, Actual (1991) and Projected (1992, 1993)

(in Thousands)

	1991	Growth Rate	1992	Growth Rate	1993	Growth Rate
Labor Force	311.7	0.6%	322.4	3.4%	327.4	1.6%
Unemployment	12.2	-5.4%	16.6	36.1%	15.8	-4.8%
Unemployment Rate	3.9%	—	5.1%	—	4.8%	—
Total Employment	299.5	0.9%	305.8	2.1%	311.6	1.9%
Total Wage and Salary Employment[a]	259.0	2.7%	264.8	2.2%	270.5	2.2%
Manufacturing	24.8	-5.3%	23.6	-4.8%	23.0	-2.5%
Mining	2.3	4.5%	2.3	0.0%	2.4	4.3%
Construction	14.1	-2.8%	14.7	4.3%	15.1	2.7%
TCPU[b]	10.0	6.4%	10.6	6.0%	10.9	2.8%
Trade	61.7	4.4%	62.9	1.9%	64.2	2.1%
FIRE[c]	11.6	1.8%	11.7	0.9%	11.9	1.7%
Services	75.6	3.1%	77.1	2.0%	78.9	2.3%
Government	59.0	5.5%	61.9	4.9%	64.1	3.6%

Notes: a) Totals may not add due to rounding
b) Transportation, Communications, and Public Utilities
c) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Pima County

(Note: The updated forecast for Pima County was made prior to Hughes Aircraft Co.'s announcement in late August of plans to move about 2,700 jobs from California to its Tucson plant in 1993 (see " '92 Legislative Session ... ," p. 15)

RA forecasts that Pima County wage and salary employment will increase 2.2 percent, or 5,800 jobs, in 1992. This follows a growth rate of 2.7 percent in 1991. As for 1993, wage and salary employment is expected to grow 2.2 percent. Job growth is expected in each major industry group in both years with the exception of manufacturing, which will decline both years.

The construction industry is expected to lead Pima County's goods-producing sector in 1992, adding 600 jobs, for an increase of 4.3 percent. This gain would be in direct contrast to a 2.8 percent job loss in 1991. Though somewhat slower, continued growth in the construction sector is expected for 1993.

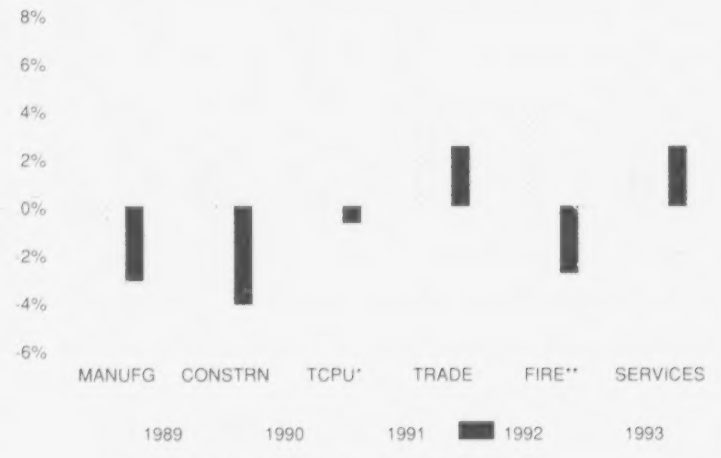
By contrast, Pima County's manufacturing sector is expected to reduce employment 4.8 percent in 1992. This follows a steep loss of 5.3 percent in 1991. For '92 and '93, employment losses in the durable goods sectors are expected to continue to offset gains in the non-durable sectors. Manufacturing employment is expected to decline an additional 2.5 percent in 1993.

Transportation, communications, and public utilities (TCPU) employment in Pima County has continued to increase due to the American Airlines reservation center, which opened in 1991. RA forecasts TCPU will end 1992 with a growth rate of 6 percent. For 1993, RA forecasts TCPU employment to grow 2.8 percent, a rate more reflective of historical industry patterns.

In 1991, Pima County's finance, insurance, and real estate (FIRE) industry group gained 200 jobs, the first annual gain since 1987. But the after-

Figure 7

Non-metropolitan Counties' Wage and Salary Employment Growth Rates, by Selected Major Industry Groups, Actual (1984-1991) and Projected (1992, 1993)



Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Table 4

Non-metropolitan Counties' Labor Force, Employment, and Unemployment Data, Actual (1991) and Projected (1992, 1993)

(in Thousands)

	1991	Growth Rate	1992	Growth Rate	1993	Growth Rate
Labor Force	337.5	0.5%	349.9	3.7%	352.0	0.6%
Unemployment	32.4	-0.6%	43.3	33.6%	39.5	-8.8%
Unemployment Rate	9.6%	—	12.4%	—	11.2%	—
Total Employment	305.1	0.7%	306.6	0.5%	312.5	1.9%
Total Wage and Salary Employment[a]	254.3	2.4%	257.3	1.2%	262.2	1.9%
Manufacturing	19.5	-4.4%	18.9	-3.1%	19.1	1.1%
Mining	10.6	10.4%	11.1	4.7%	11.2	0.9%
Construction	12.3	-3.9%	11.8	-4.1%	11.8	0.0%
TCPU[b]	13.6	-2.2%	13.5	-0.7%	13.7	1.5%
Trade	63.7	3.4%	65.3	2.5%	66.6	2.0%
FIRE[c]	7.1	-2.7%	6.9	-2.8%	7.0	1.4%
Services	55.8	2.8%	57.2	2.5%	58.8	2.8%
Government	71.7	4.7%	72.6	1.3%	74.0	1.9%

Notes: a) Totals may not add due to rounding
b) Transportation, Communications, and Public Utilities
c) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, August 1992

affects from consolidation in the savings and loan industry are still being felt with marked differences in direction among FIRE sectors. Fairly strong gains in the real estate and insurance sectors are being offset by losses in the finance sector.

RA forecasts a modest gain in FIRE employment of nine-tenths of one percent, or 100 jobs, in 1992. For 1993, RA projects FIRE employment will increase 1.7 percent, or 200 jobs.

For more than a decade, Pima County's trade and services industries have managed to sustain annual job growth. Even with the rather weak national economy this year, RA forecasts trade and services employment will end up growing 1.9 percent (1,200 jobs) and 2 percent (1,500 jobs), respectively, in 1992. As for 1993, trade is expected to add another 1,300 jobs while services should increase by 1,800 jobs.

Government jobs in Pima County has shown fairly strong growth, primarily due to school-related employment. RA forecasts government employment will grow 4.9 percent in '92 with a slightly slower rate of growth of 3.6 percent expected in '93.

In 1991, Pima County's annual average unemployment rate of 3.8 percent was the lowest in more than a decade. Since then, however, the U.S. economy has remained weak and its resulted in higher jobless rates for the Tucson metropolitan area.

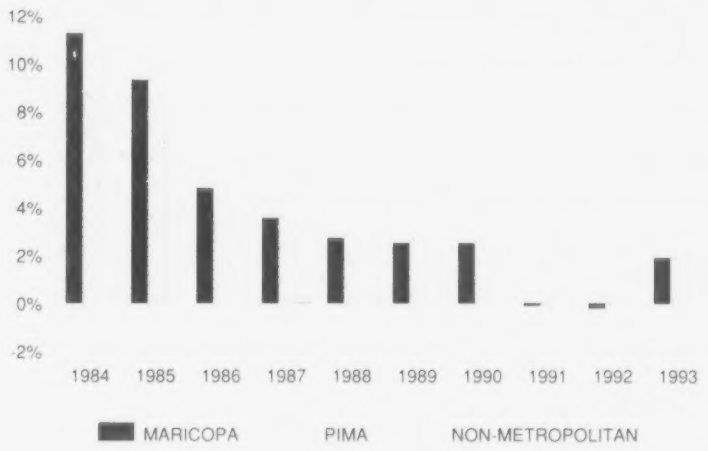
RA projects Pima's unemployment rate for 1992 will average a much higher 5.1 percent. But as the employment opportunities slowly begin to improve nationally, RA projects Pima County's jobless rate will improve slightly in 1993 to 4.8 percent..

Non-metropolitan Counties

The non-metropolitan counties as a whole should gain employment in both '92 and '83, but at growth rates much slower than in recent history. Wage and salary employment is expected grow 1.2 percent this year and 1.9 percent in '93. Since 1983, Arizona's rural counties as a whole have experienced growth in wage and salary employment of less than 2 percent only once — in 1988, when employment grew 1.9 percent.

Figure 8

Metropolitan Counties' vs. Non-metropolitan Counties' Wage and Salary Employment Growth Rates, Actual (1984-1991) and Projected (1992, 1993)



Source: Arizona Dept. of Economic Security, Research Administration, August 1992

RA forecasts jobs losses will occur in manufacturing, construction, TCPU, and FIRE in 1992. By 1993, however, job losses should end in three of these four industries, as all major industry groups, except construction (see below), are expected to gain employment.

Manufacturing employment in the non-metropolitan counties is forecast to follow a pattern similar to that forecast for Maricopa County — declining sharply in '92, but having moderate gains in '93. The rural counties should lose 600 manufacturing jobs in 1992, or a drop of 3.1 percent, then post a gain of 200 jobs, or 1.1 percent, in '93.

Construction employment in the non-metropolitan counties, on the other hand, is forecast to continue its downtrend, losing an additional 500 positions in 1992, then leveling off in 1993. Construction employment in the rural counties declined 3.9 percent in '91.

Most of the new jobs created in the rural counties in '92 and '93 will be in trade, services, and government. These three industry groups account for three-fourths of all the wage and salary jobs in the non-metropolitan counties and will add a combined 3,900 jobs in 1992 and 4,300 jobs in 1993.

Total unemployment in the rural counties, as is the case statewide, is expected to grow much faster than total employment in 1992, pushing the jobless rate up to 12.4 percent, an increase of 2.8 percentage points from 1991.. An expected decline in total unemployment in 1993 should help lower the unemployment rate to 11.2 percent. AET

Don Webbey and Dennis Doby, RA Economists

Jobless Rate Fell in July to 6.9%, But Job Growth Was Slow

Despite a slightly lower unemployment rate, Arizona's anemic economic performance continued in July. Over the past 12 months creation of nonfarm payroll jobs has remained barely positive (up 200) as job losses in manufacturing, transportation, and trade have offset job gains in construction, services, and government.

Statewide, the unemployment rate fell from 7.2 percent in June to 6.9 percent in July as only three counties

ARIZONA'S WORKFORCE

(Apache, Coconino, and Santa Cruz) recorded higher unemployment rates. In the Phoenix metropolitan area (Maricopa County), the unemployment rate fell from 5.9 percent to 5.4 percent; in the Tucson metropolitan area (Pima County), the unemployment rate fell a similar magnitude, from 5.1 percent to 4.6 percent.

The state's lower unemployment rate was principally the result of a drop in the number of people entering the labor force and a smaller-than-seasonal decline in employment between June and July due to an expanded federal summer youth program. While that helped to keep the state's unemployment rate lower, it will limit the amount of employment increases at the end of the summer when schools reopen and summer youth jobs end.

Looking at employment by industry, trends of previous months continued in July. Arizona manufacturing employment, at 168,400, was unchanged from June, reflecting little or no movement within industry subgroups. Only of note was a loss of 300 jobs in the aircraft and missiles sector, which offset a gain of 300 jobs in the machinery sector.

In construction, after robust job growth between February and June, the pace slowed in July. Construction employment was only 100 positions above its June level. While Pima County added 300 construction jobs, this was offset by the loss of 300 construction jobs in Maricopa County.

Housing affordability remained excellent, however, and should help to support job growth in construction. But except for residential construction, the remaining segments of the industry are still some distance from recovery.

In July, the transportation industry had its first employment gain in six months. Unfortunately, the improvement was short-lived. All of the gain between May and June was lost in July. A total of 500 positions were cut with losses coming from urban and rural areas of the state.

Also, problems in the airline industry continue to be a drag on the state's economy. And with announcements of further layoffs in the months ahead, it looks as if additional losses in the transportation sector overall cannot be avoided. Transportation is currently at its lowest employment level of the past two years.

Trade Industry Remains Weak

While losses in the manufacturing industry continued to receive significant attention, the state's wholesale and retail trade industries continued to suffer, too. Once considered recession resistant, employers are scaling down staffing levels.

Eating and drinking places lost 1,500 jobs over the year, including a loss of 1,800 positions in July. Much of this can be attributed to consumer hesitancy to continue discretionary spending and to the slowdown in tourism activity.

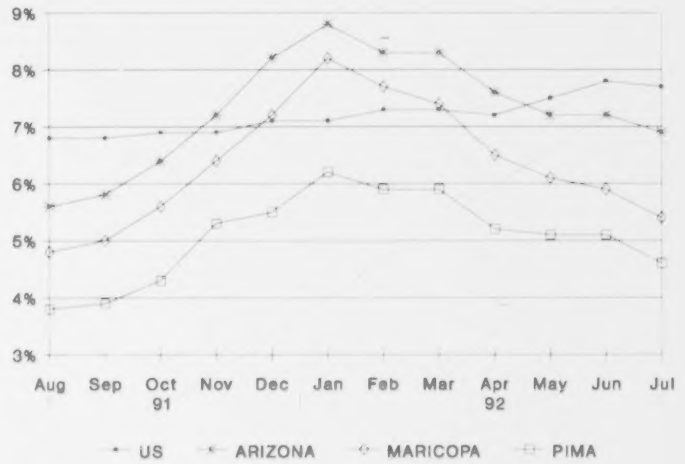
Meanwhile, food store employment declined by 1,800 over the year, including a drop of 700 in July. Almost all of July's losses were concentrated in the Phoenix metropolitan area. Slower-than-forecast population growth, coupled with extremely competitive conditions in Maricopa County, forced grocery firms to cut costs wherever possible.

Finally, both the services and government sectors had significant employment losses in July, but they were principally expected seasonal changes. In services, employment cutbacks at hotels in the Phoenix and Tucson metropolitan areas accounted for all of the industry's losses. And in

(continued on back page)

Figure 1

U.S., Arizona, Maricopa County, and Pima County Unemployment Rates (Seasonally Adjusted), August 1991-July 1992



Source: Arizona Dept. of Economic Security, Research Administration, August 1992

Table 1
Arizona Labor Force, Employment, and Unemployment Data, July 1992[a]

(In Thousands)

				Monthly/Yearly Change	
	Jul. 1992[b]	Jun. 1992[c]	Jul. 1991	Jun. '92 - Jul. '92	Jul. '91 - Jul. '92
Total Civilian Labor Force[d]	1726.6	1748.4	1691.3	-21.8	35.3
Total Unemployment	125.5	135.9	98.3	-10.4	27.2
Unemployment Rate	7.3%	7.8%	5.8%	—	—
Unemployment Rate (Seasonally Adjusted)[e]	6.9%	7.2%	5.2%	—	—
Total Employment	1601.1	1612.5	1593.0	-11.4	8.1
Total Wage and Salary Employment[f, g]	1461.8	1478.5	1461.6	-16.7	0.2
Private Sector	1218.0	1222.4	1219.9	-4.4	-1.9
Government	243.8	256.1	241.7	-12.3	2.1
Goods-Producing Industries	265.2	265.2	267.8	0.0	-2.6
Manufacturing	168.4	168.4	174.9	0.0	-6.5
Total Durable Goods	124.4	124.3	131.8	0.1	-7.4
Stone, Clay, and Glass	5.2	5.2	5.5	0.0	-0.3
Primary and Fabricated Metals	13.7	13.7	14.3	0.0	-0.6
Primary Metals	5.6	5.6	6.0	0.0	-0.4
Fabricated Metals	8.1	8.1	8.3	0.0	-0.2
Machinery	52.9	52.6	55.1	0.3	-2.2
Aircraft and Missiles	21.6	21.9	26.3	-0.3	-4.7
Lumber and Wood Products (Excluding Furniture)	6.8	6.8	6.5	0.0	0.3
Total Nondurable Goods	44.0	44.1	43.1	-0.1	0.9
Food and Kindred Products	10.2	10.2	9.6	0.0	0.6
Printing and Publishing	15.5	15.6	15.7	-0.1	-0.2
Mining and Quarrying	14.3	14.4	13.7	-0.1	0.6
Copper Mining	12.0	12.0	11.2	0.0	0.8
Construction	82.5	82.4	79.2	0.1	3.3
Service-Producing Industries	1196.6	1213.3	1193.8	-16.7	2.8
Transportation, Communications, and Public Utilities	79.1	79.5	81.3	-0.4	-2.2
Transportation	44.9	45.4	47.2	-0.5	-2.3
Communications and Public Utilities	34.2	34.1	34.1	0.1	0.1
Trade	366.4	369.0	368.5	-2.6	-2.1
Total Wholesale Trade	73.9	74.2	74.2	-0.3	-0.3
Total Retail Trade	292.5	294.8	294.3	-2.3	-1.8
General Merchandise and Apparel	48.9	49.3	47.6	-0.4	1.3
Food Stores	48.6	49.3	50.4	-0.7	-1.8
Automotive and Service Stations	34.9	34.7	34.7	0.2	0.2
Eating and Drinking Places	101.6	103.4	103.1	-1.8	-1.5
Finance, Insurance, and Real Estate	92.1	92.0	92.6	0.1	-0.5
Services and Miscellaneous	415.2	416.7	409.7	-1.5	5.5
Hotels and Lodging Places	37.7	39.2	38.6	-1.5	-0.9
Business Services	87.7	87.0	85.8	0.7	1.9
Health Services	108.9	108.9	104.8	0.0	4.1
Government	243.8	256.1	241.7	-12.3	2.1
Federal	44.6	44.7	44.7	-0.1	-0.1

Notes and Source: See Table 3

Table 2
Maricopa County Labor Force, Employment, and Unemployment Data, July 1992[a]

(In Thousands)

	Jul. 1992[b]	Jun. 1992[c]	Jul. 1991	Monthly/Yearly Change Jun. '92 - Jul. '92	Monthly/Yearly Change Jul. '91 - Jul. '92
Total Civilian Labor Force[d]	1058.7	1071.9	1052.2	-13.2	6.5
Total Unemployment	62.0	68.7	51.8	-6.7	10.2
Unemployment Rate	5.9%	6.4%	4.9%	—	—
Unemployment Rate (Seasonally Adjusted)[e]	5.4%	5.9%	4.5%	—	—
Total Employment	996.7	1003.2	1000.4	-6.5	-3.7
Total Wage and Salary Employment[f, g]	957.2	968.8	963.9	-11.6	-6.7
Private Sector	829.6	833.4	837.4	-3.8	-7.8
Government	127.6	135.4	126.5	-7.8	1.1
Goods-Producing Industries	181.0	181.2	183.6	-0.2	-2.6
Manufacturing	125.8	125.6	130.8	0.2	-5.0
Total Durable Goods	94.7	94.2	100.2	0.5	-5.5
Stone, Clay, and Glass	2.8	2.8	3.1	0.0	-0.3
Primary and Fabricated Metals	9.4	9.4	9.8	0.0	-0.4
Machinery	44.3	43.8	45.8	0.5	-1.5
Total Nondurable Goods	31.1	31.4	30.6	-0.3	0.5
Food and Kindred Products	7.3	7.3	6.9	0.0	0.4
Printing and Publishing	10.9	10.9	11.1	0.0	-0.2
Mining and Quarrying	0.7	0.8	0.8	-0.1	-0.1
Construction	54.5	54.8	52.0	-0.3	2.5
Service-Producing Industries	776.2	787.6	780.3	-11.4	-4.1
Transportation, Communications, and Public Utilities	55.4	55.5	57.4	-0.1	-2.0
Transportation	33.0	33.2	35.0	-0.2	-2.0
Communications and Public Utilities	22.4	22.3	22.4	0.1	0.0
Trade	238.7	240.7	244.2	-2.0	-5.5
Total Wholesale Trade	56.4	56.4	57.7	0.0	-1.3
Total Retail Trade	182.3	184.3	186.5	-2.0	-4.2
General Merchandise and Apparel	30.8	31.0	30.4	-0.2	0.4
Food Stores	30.2	30.7	31.9	-0.5	-1.7
Automotive and Service Stations	21.4	21.4	21.5	0.0	-0.1
Eating and Drinking Places	64.0	65.2	65.5	-1.2	-1.5
Finance, Insurance, and Real Estate	73.4	73.3	74.0	0.1	-0.6
Services and Miscellaneous	281.1	282.7	278.2	-1.6	2.9
Hotels and Lodging Places	22.1	23.2	22.2	-1.1	-0.1
Business Services	71.0	70.7	69.9	0.3	1.1
Health Services	70.4	70.5	67.8	-0.1	2.6
Government	127.6	135.4	126.5	-7.8	1.1

Notes and Source: See Table 3

Table 3
Pima County Labor Force, Employment, and Unemployment Data, July 1992[a]

(In Thousands)

				Monthly/Yearly Change	
	Jul. 1992[b]	Jun. 1992[c]	Jul. 1991	Jun. '92 - Jul. '92	Jun. '92 - Jul. '92
Total Civilian Labor Force[d]	320.7	322.6	307.3	-1.9	13.4
Total Unemployment	15.5	17.5	11.9	-2.0	3.6
Unemployment Rate	4.8%	5.4%	3.9%	—	—
Unemployment Rate (Seasonally Adjusted)[e]	4.6%	5.1%	3.6%	—	—
Total Employment	305.2	305.1	295.4	0.1	9.8
Total Wage and Salary Employment[f, g]	256.3	257.2	249.2	-0.9	7.1
Private Sector	204.0	203.3	199.0	0.7	5.0
Government	52.3	53.9	50.2	-1.6	2.1
Goods-Producing Industries	41.6	41.2	41.6	0.4	0.0
Manufacturing	23.9	23.8	24.8	0.1	-0.9
Total Durable Goods	18.5	18.5	19.6	0.0	-1.1
Total Non-durable Goods	5.4	5.3	5.2	0.1	0.2
Mining and Quarrying	2.3	2.3	2.3	0.0	0.0
Construction	15.4	15.1	14.5	0.3	0.9
Service-Producing Industries	214.7	216.0	207.6	-1.3	7.1
Transportation, Communications, and Public Utilities	10.4	10.6	10.2	-0.2	0.2
Transportation	5.8	6.0	5.8	-0.2	0.0
Communications and Public Utilities	4.6	4.6	4.4	0.0	0.2
Trade	63.3	63.1	60.6	0.2	2.7
Total Wholesale Trade	9.4	9.3	9.0	0.1	0.4
Total Retail Trade	53.9	53.8	51.6	0.1	2.3
General Merchandise and Apparel	8.0	8.1	7.6	-0.1	0.4
Food Stores	8.1	8.2	8.1	-0.1	0.0
Automotive and Service Stations	5.7	5.7	5.6	0.0	0.1
Eating and Drinking Places	18.7	19.0	18.3	-0.3	0.4
Finance, Insurance, and Real Estate	11.8	11.8	11.7	0.0	0.1
Services and Miscellaneous	76.9	76.6	74.9	0.3	2.0
Hotels and Lodging Places	6.2	6.5	6.3	-0.3	-0.1
Business Services	12.6	12.3	11.7	0.3	0.9
Health Services	23.2	23.1	22.5	0.1	0.7
Government	52.3	53.9	50.2	-1.6	2.1

Notes:
a) Data on labor force, total unemployment, total employment, and seasonally adjusted unemployment rate should not be used for economic-assistance programs. Data for economic-assistance programs are available by contacting DES, Research Administration
b) Preliminary and subject to revision following month
c) Revised
d) Adjusted to Current Population Survey (CPS) to reflect place of residence
e) Normal seasonal variations have been eliminated to reflect underlying trends
f) By place of work; does not include agricultural workers, self-employed, unpaid family members, and domestic workers
g) Detail may not add up correctly due to rounding
h) Rounded to the nearest one-quarter

Source: *Prepared by the Arizona Dept. of Economic Security, Research Administration, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics, August 1992*

Table 4
Non-metropolitan Counties' Labor Force, Employment, and Unemployment Data, July 1992[a,b]

	Apache	Cochise	Coconino	Gila	Graham	Greenlee	La Paz
Total Civilian Labor Force[d]	13,900	36,775	44,500	14,275	8,450	3,550	7,425
Total Unemployment	2,900	3,025	4,400	1,675	850	350	675
Unemployment Rate	20.9%	8.2%	9.8%	11.8%	10.1%	9.7%	9.2%
Unemployment Rate (Seasonally Adjusted)[e]	16.9%	8.0%	8.6%	11.7%	9.9%	9.7%	9.0%
Total Employment	11,000	33,750	40,200	12,600	7,600	3,200	6,750
Total Wage and Salary Employment[f,h]	13,725	25,975	40,475	12,150	5,050	3,375	3,375
Private Sector	9,550	15,475	29,650	9,275	3,050	2,825	2,525
Government	4,175	10,500	10,825	2,875	2,000	550	850
Goods-Producing Industries	800	2,300	40,475	3,425	400	2,300	575
Manufacturing	475	1,125	2,975	1,425	225	25	250
Mining and Quarrying	25	125	125	1,225	0	2,025	50
Construction	300	1,050	1,575	775	175	250	275
Service-Producing Industries	12,925	23,675	35,800	8,725	4,650	1,075	2,800
Transportation, Communications, and Public Utilities	1,675	1,500	2,550	425	175	50	150
Trade	1,775	5,725	10,750	2,725	1,475	300	1,200
Finance, Insurance, and Real Estate	375	625	750	250	125	25	125
Services and Miscellaneous	4,925	5,325	10,925	2,450	875	150	475
Government	4,175	10,500	10,825	2,875	2,000	550	850

	Mohave	Navajo	Pinal	Santa Cruz	Yavapai	Yuma
Total Civilian Labor Force[d]	39,500	26,925	40,225	12,175	41,800	57,525
Total Unemployment	3,125	4,125	4,025	2,450	2,775	17,625
Unemployment Rate	7.9%	15.3%	10.0%	20.1%	6.7%	30.6%
Unemployment Rate (Seasonally Adjusted)[e]	8.1%	12.4%	9.2%	14.8%	6.7%	19.6%
Total Employment	36,375	22,800	36,200	9,725	39,025	39,950
Total Wage and Salary Employment[f,h]	27,675	20,275	29,950	10,400	28,125	27,875
Private Sector	22,750	15,100	21,300	8,575	23,575	20,850
Government	4,925	5,175	8,650	1,825	4,550	7,025
Goods-Producing Industries	5,175	3,650	9,300	1,375	5,675	3,050
Manufacturing	2,550	1,675	2,975	1,000	2,500	1,650
Mining and Quarrying	50	1,100	5,500	0	1,000	0
Construction	2,575	875	825	375	2,175	1,400
Service-Producing Industries	22,500	16,625	20,650	9,025	22,450	24,825
Transportation, Communications, and Public Utilities	1,400	1,450	875	650	1,050	1,275
Trade	8,700	4,700	5,475	4,525	8,200	8,925
Finance, Insurance, and Real Estate	1,250	525	625	275	1,000	1,000
Services and Miscellaneous	6,225	4,775	5,025	1,750	7,650	6,600
Government	4,925	5,175	8,650	1,825	4,550	7,025

Notes and Source: See Table 3

Table 5
Estimated Hours and Earnings of Production Workers, by Selected Industry Groups, July 1992[a]

Arizona

Industry	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991
Manufacturing	$444.69	$443.19	$432.55	40.5	40.4	40.2	$10.98	$10.97	$10.76
Aircraft and Missiles	673.86	686.43	662.39	45.5	46.1	45.4	14.81	14.89	14.59
Food and Kindred Products	366.60	367.25	339.44	39.0	37.9	37.8	9.40	9.69	8.98
Primary Metals	501.01	487.60	495.46	41.1	40.0	39.7	12.19	12.19	12.48
Machinery	458.46	449.85	426.52	40.5	40.6	40.2	11.32	11.08	10.61
Copper Mining	657.49	645.61	648.61	43.6	43.8	42.7	15.08	14.74	15.19
Construction	462.52	463.69	450.45	38.9	38.9	37.6	11.89	11.92	11.98
Public Utilities	788.95	787.52	761.24	42.6	43.8	43.4	18.52	17.98	17.54
Retail Trade[d]	283.84	284.72	273.84	32.7	33.3	32.6	8.68	8.55	8.40
Wholesale Trade	389.25	392.74	409.55	37.5	37.8	37.3	10.38	10.39	10.98

Maricopa County

Industry	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991
Manufacturing	$470.67	$470.50	$455.22	41.8	41.6	40.9	$11.26	$11.31	$11.13
Construction	478.71	477.06	477.12	39.4	39.2	38.2	12.15	12.17	12.49
Retail Trade[d]	303.74	301.83	283.47	33.6	33.8	33.0	9.04	8.93	8.59
Wholesale Trade	393.95	394.80	424.13	37.2	37.6	37.7	10.59	10.50	11.25

Pima County

Industry	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991	July 1992[b]	June 1992[c]	July 1991
Manufacturing	$404.83	$406.84	$414.80	38.3	38.6	40.0	$10.57	$10.54	$10.37
Construction	413.98	409.58	394.74	37.6	37.1	37.1	11.01	11.04	10.64
Public Utilities	671.10	656.21	641.24	42.8	42.2	41.0	15.68	15.55	15.64

Notes: a) Estimates are based on a sample of full- and part-time production and related workers whose payroll and hours are reported for the pay period that includes the 12th of the month
b) Preliminary and subject to revision following month
c) Revised
d) Excludes eating and drinking places

Source: *Prepared by the Arizona Dept. of Economic Security, Research Administration, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics, August 1992*

'92 Legislative Session Focused on Job Development

In a year when statewide wage and salary job growth has been anemic — one-tenth of 1 percent over-the-year growth in August — economic development and tax-incentive legislation took center stage during the 1992 Arizona legislative session. More than a half-dozen, economic-development or tax-incentive bills were passed by the second regular session of the 40th Arizona Legislature and signed into law by Gov. Fife Symington.

Table 1

Major Economic-Development Legislation Passed in 1992

- ✔ H.B. 2201 — offers tax credits to qualifying defense-related companies that increase defense or commercial employment; also creates military re-use zones at closed military bases
- ✔ H.B. 2211 and H.B. 2297 — offer tax breaks on the purchase of airline fuel and operating equipment
- ✔ H.B. 2258 — offers a 50 percent rebate on sales and use taxes for movie-production companies that spend $1 million in the state within a 12-month period
- ✔ H.B. 2490 — makes several technical changes in state's enterprise-zone law, including allowing administrative expansion of the size of the zone
- ✔ H.B. 2437 and H.B. 2560 — offer tax credits for businesses conducting research and development activities in Arizona

NEWS ANALYSIS

The economic-development legislation, along with the defeat of a group of bills that would have increased workers' compensation benefits, sent a strong message to business: in a competitive national and worldwide climate, Arizona wants to offer an oasis for companies seeking lower operating costs, particularly from higher taxed and regulated states like California. And by the actions of one employer and the anticipated movement of others, it appears the message may be working.

The most far-reaching piece of job-development legislation the Legislature passed was H.B. 2201, designed to encourage stability and growth among companies in the state's declining defense-manufacturing sector, which has seen a drop of 5,000 wage and salary jobs in the past year. The law provides a series of tax credits over five years for qualifying companies who increase employment for defense industry or commercial projects. In addition, it gives incentives to aerospace and aircraft manufacturers relocating to closed military bases (called military re-use zones), such as Williams Air Force Base.

Arizona is the first state to enact this type of legislation, giving the state "a window of opportunity" to take competitive advantage, says Lois Yates, Director of Strategic Planning and Economic Development for Arizona's Department of Commerce. And it appears the law has already begun paying dividends.

In early September, Hughes Aircraft Co. announced plans to move 2,700 jobs — estimated to pay an average of $35,000 a year — to Tucson primarily from missile-production plants in Southern California. Hughes, which in recent years has been dramatically downsizing its Tucson missile-production operations, cited as major reasons for the move an estimated $25 million in tax breaks that will be generated over five years by the newly passed legislation, along with lower operating and regulatory costs, and excess capacity at its Tucson site. The tax credits are expected to be more than offset by employee personal income and sales taxes, as well as by an estimated three additional jobs created for every one created by Hughes.

At a time when high-paying jobs are at a premium, particularly in the defense industry, the move was a major coup for the state. And there may be more to come shortly. An unnamed "major aerospace company" will be announcing its move to the state by the end of October, and a number of companies that would benefit from the defense-restructuring law are looking seriously at relocating to Arizona, Yates says.

Among other economic-development legislation approved were: two bills offering tax breaks to stimulate air transportation business in the state; another law giving tax rebates to movie production companies; a bill allowing for the expansion of previously designated enterprise zones; two bills offering tax credits for research and development expenses; and $600,000 to maintain trade offices in Mexico and Taiwan.

H.B. 2211 and H.B. 2297 offer tax breaks on the purchase of airline fuel and operating equipment, respectively, with both bills expected to aid ailing America West Airlines, but also encourage expansion by other airlines. The former phases out over a period of several years taxation on the purchase of jet fuel above 10 million gallons a year, while the latter exempts sales and use taxes on equipment ranging from clothing to flight simulators.

Meanwhile, H.B. 2258 offers a 50 percent rebate on sales and use taxes for movie-production companies that spend $1 million in the state within a 12-month period making one or more movies. Although the amount saved may not be an significant windfall to producers of multi-million dollar pictures, "we think it makes a statement that we want their business," Yates says. An estimated $50 million was

spent in Arizona on movie, television, and commercial productions in 1991, according to a story in *The Arizona Republic*.

In H.B. 2490, several technical changes were made to the state's enterprise-zone law. Of these, the most significant adjustments allow the Arizona Department of Commerce to administratively expand by one-quarter square mile, or 5 percent, the size of the zone (to avoid making jurisdictions re-apply for a new zone), and give companies tax credits for hiring dislocated workers. Previously, businesses in state-designated enterprise zones, located in high unemployment areas, only received tax credits for hiring qualified low-income workers.

Two laws enacted that are designed to spur research and development — and with it high-paying jobs, Yates says — are H.B. 2437 and H.B. 2560. The former offers tax credits, beginning in January 1994, between $25,000 and $250,000 for R&D conducted at businesses and universities in Arizona, while the latter exempts sales and use taxes on machinery used for R&D purposes beginning in January 1993

Also, a bill passed that could fall under the area of economic development abolished the requirement that businesses with combined sales, telecommunication services and county excise tax liabilities of $100,000 a year to remit estimated monthly tax payments. H.B. 2174 now allows those companies starting in July 1993 to pay tax amounts on the 20th of the following month, except for June, thus saving those companies an estimated $4 million in lost interest each year, according to *Outlook*, a publication of the Tucson Metropolitan Chamber of Commerce.

Among other legislation passed that affects business and employment are: a law requiring a committee to look at regulatory reform in state government to identify "unnecessary, costly, duplicative or overly burdensome rules and licensing requirements that adversely affect the interests of the state economy ... "; a bill clarifying what entity is responsible for payment of wages and taxes when a worker is leased or loaned by a company, or employed by a temporary-services company; a law authorizing a study committee to look at international commercial disputes between Arizona and Sonora, Mexico; and a bill to increase the maximum penalty — from $10,000 to $70,000 — for repeated violations of Arizona Occupational Safety and Health Act (AOSHA) regulations, in order to comply with changes in federal OSHA law.

Although the session was termed a success by most economic-development officials, one piece of legislation considered vital for attracting out-of-state business languished without a vote for the second year in a row. Several versions of a bill to create an employment-training program for new and expanding companies were drafted during the session, but none made it through both houses.

The reason was the same as in 1991. The training bills became tied to legislation to improve a wide variety of workers' compensation benefits, which opponents said would have raised employers' workers' comp premiums. The sponsor of the workers' comp legislation (S.B. 1061), Sen. Manuel Peña, however, said money for additional benefits could have come out of existing state funds.

"Job training is important to everything. They (companies) expect it," Yates says, pointing out the state recently lost out on a business relocation worth 350 jobs because Arizona is one of five states that lack a state-funded worker-training program. In the absence of the bill, though, some federal job-training money is expected to be targeted to train workers for business relocation, Yates says. But employment-training legislation will be brought up again in 1993, she says.

The defeat of the workers' compensation legislation may have symbolized what was not considered a successful overall session for organized labor in terms of bills dealing with core issues (e.g., workers' rights), says Mike Shea, a spokesperson for the state AFL-CIO. Although Shea adds, in terms of economic-development legislation designed to create jobs, he believes the session was "very successful."

Among bills pushed by organized labor that failed to make it through the legislative process this year were:

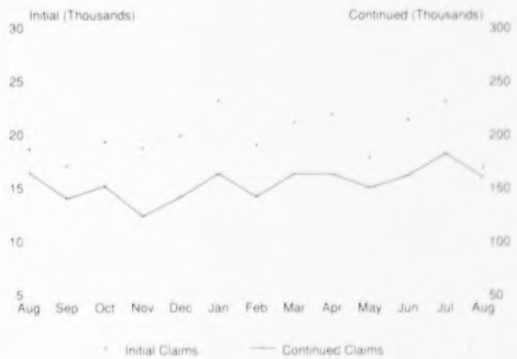
- S.B. 1396, which would have created a workers memorial at Wesley Bolin Plaza to honor those who have died while on the job.
- S.B. 1238, which would have made non-union employees liable for representation expenses incurred by a labor organization that processes employment-related grievance on their behalf. Because Arizona is a right-to-work state, employees are not required to join a union, but still are eligible for union representation.
- S.B. 1395, calling for the reinstatement of the "Little Davis Bacon Act," which was repealed in 1984. The law would require contractors dealing with state, county, and municipal governments to pay workers the "prevailing wage" — a wage designated by the federal government as an average for a number of skilled occupations. Shea says the law is needed because a number of contractors have been able to make low bids on projects because they are paying low wages to unskilled workers.
- S.B. 1384, which would have allowed collective bargaining for state employees. The bill would have empowered an employee representative (i.e., Arizona Federation of State, County, and Municipal Employees (AFSCME)) to bargain for wages and benefits in behalf of most state employees. If no agreement can be reached, binding arbitration would be used to settle disputes. State employees are prohibited by law from going out on strike.
- H.B. 2169, a privacy rights bills that would have prevented employers from taking disciplinary or discriminatory action against employees as a result of lawful activities an employee

ARIZONA LABOR MARKET INDICATORS

"Arizona Labor Market Indicators," a quick glimpse at data relevant to Arizona's job market, will appear most months in *Arizona Economic Trends*. Some of the data that had appeared each month in the *Arizona Labor Market Information Newsletter*, such as the U.S. and Phoenix-area consumer price indices, will appear at least once a quarter in *Arizona Economic Trends*. If you need this information more frequently, contact Research Administration at 542-3871.

Figure 1

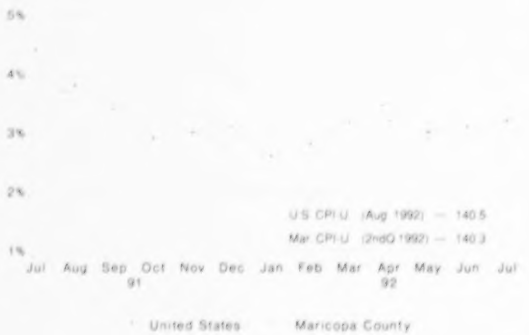
Arizona Continued and New Unemployment Insurance Claims, August 1991-August 1992



Source: *Arizona Dept. of Economic Security, Research Administration, September 1992*

Figure 2

Over-Year Pct. Change in U.S. (Monthly) and Maricopa County (Quarterly) Consumer Price Indecies, July 1991-July 1992



Sources: *U.S. Dept. of Labor, Bureau of Labor Statistics, August 1992; and Arizona State University, Economic Outlook Center, July 1992*

engages in while off-premises during non-working hours. Examples include a company that requires overweight employees to pay higher health-care premiums or dismissal of workers who smoke or drink at home.

- S.B. 1401, which would have extended the state's "whistleblower" law to cities and universities, and make it also apply to probationary employees.
- S.B. 1294, which would establish a minimum-wage law in Arizona that is similar to the federal law (which the state falls under), but among other items would use a lower standard ($100,000 in gross sales instead of $500,000) to exempt employers from having to pay a minimum wage (currently $4.25 an hour).
- S.B. 1457, which would have guaranteed the availability of private market group health insurance coverage for small employers who have been denied coverage because an employee or dependent has existing medical problems. An estimated 600,000 working Arizonans and their families are without health coverage.

There were several bills, however, that labor, as well as other interest groups supported that passed. These included a group of bills to improve state retirement benefits and a state employment-disabilities law patterned after the federal law that recently went into force.

Among the state retirement changes, S.B. 1260 provides for a 5 percent cost-of-living adjustment for all persons who retire by October 31, and H.B. 2242 provides a number of minimum benefit level for retirees and beneficiaries of deceased members who are at least 75 years of age by September 30.

Finally, in S.B. 1355, the Legislature restructured the state's version of the federal welfare-to-work Job Opportunities and Basic Skills Training (JOBS) program. Previously, the state's program targeted the "hard-to-serve," or those with the highest employability barriers (e.g., lack of education), which restricted the number of persons who could be served. But beginning October 1, the JOBS program will offer three separate tracks designed to re-employ a wider variety and larger number of welfare recipients. AET

—Brent Fine
Arizona Economic Trends Editor

Industry Update

"Industry Update" — featured each month as a service to our readers — is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, Arizona Economic Trends is not responsible for incorrect information reported by these sources.

Manufacturing

McDonnell Douglas Corp. is looking to **sell entirely or find a partner for its helicopter company** which employs about 3,200 workers in Mesa. McDonnell Douglas Helicopter Co. has been downsizing its workforces in Mesa and Culver City, Calif., in recent years due to defense cutbacks that have reduced sales of its AH-64 Apache attack helicopter. The nation's third-largest helicopter company has recenily been targeting commercial markets with its revolutionary NOTAR (no-tail rotor) helicopter, but the parent firm now wants to devote most of its attention to its commercial and military aircraft business.

As part of a cost-cutting plan, **Motorola Corp.'s Computer Group** is **moving a unit** that makes hardware and software systems for business applications from **San Jose to Tempe**. However, some of the 130 workers in San Jose's commercial-systems unit will be laid off, reducing the net gain of jobs in Tempe, while others will transfer from California.

A Boston plastics manufacturer that previously announced plans to locate a manufacturing and distribution center in Tolleson (see *AET*, June 1992), may be making Phoenix the home of its western division. **Carlisle Plastics Inc.** has received approval for a low-interest, $425,000 loan from the Arizona Commerce and Economic Development Commission, contingent on the company **establishing a 100-employee regional office in the Valley**. About three-quarters of the workers would be hired locally.

A family dispute has caused the **closure of Southwest Meat Co. of Yuma**, forcing the layoff of 21 employees. The 35-year-old business supplied meat products to area schools, government institutions, and restaurants.

Construction

Eldorado Holdings Inc. of Phoenix plans to **develop 432 acres in Gilbert**, known as Continental Tech Center, into a 500-home, golf-course community and 134-acre business park. Eldorado bought the property for $5.1 million in August from the Resolution Trust Corp., the arm of the federal government responsible for liquidating assets from failed thrifts. The property, about **11/2** miles from the Superstition Freeway, is between McQueen Road on the east and Arizona Avenue on the west.

SunCor Development Inc. announced it will **build about 800 single-family homes** near Mayo Clinic-Scottsdale as part of a $200 million master-planned community. The custom and semi-custom residences will be located on 500 acres, with another 900 acres left vacant for aesthetic purposes.

About **25 to 30 jobs** are expected to created within the next several months by the **building of new hangars at Prescott's airport**. The half-million dollar project was awarded to Bell Building Systems of Prescott, but a controversy over the bidding process could possibly delay start of construction.

Mining

Magma Copper Co. of Tucson plans to start an **open-pit copper mine near Florence** within five years. The mine and related operations would employ about 300 workers, however it's likely most employees will come from a mine near San Manuel that is expected to be depleted by 1994. Magma paid about $22 million for private acreage and state-land leases three miles north of Florence, which is estimated to have about 6 billion pounds of copper.

In related news, the August issue of Standard and Poor's *Investor Monthly* projects **good times for the copper industry** due to higher demand and prices for copper, along with technological improvements that have cut the cost of production. The price of copper increased from $0.97 per pound in January to $1.20 per pound in July. ASARCO Inc., which operates several mines in Arizona, is one company rated high by the newsletter.

Transportation, Communications, and Public Utilities

Most of **120 employees laid off** by Lockheed Aeromod Center in July due to slack work were **recalled in late August** by the Tucson aircraft-maintenance center. A large amount of repair work on a Lockheed L-1011 jumbo jet necessitated the call back, along with anticipation that a busy fall workload will develop.

A change in routes has forced about **one-third of Yellow Freight Systems' drivers** located in Flagstaff to be **transferred to other sites** around the country. The loss of the 50 drivers, who make about $40,000 a year, is expected to be an economic blow to Flagstaff, which is one of several relay points for Yellow Freight on the route between Albuquerque and Los Angeles.

Mead Energy Co. has received approval from the Federal Energy Regulatory Commission to **build a pumped storage hydroelectric plant** on the south side of Lake Mead, at Spring Canyon Wash, to produce electric power during peak-demand hours for nearby Hoover Dam. About 2,500 construction workers, many from northwest Arizona, would be needed to build the facility, which would employ between 50 and 75 permanent workers once completed.

Pending approval for local, state, and federal permits, construction would begin in 1997 and be completed a year later.

Union workers with U S West came to terms with the telecommunications company in late August on a three-year agreement that calls for wage raises of 12 percent over the life of the contract. The contract affects 5,000 Arizona workers for U S West, which operates in 14 states in the Midwest and West.

Alaska-based MarkAir will **begin servicing Phoenix** Sky Harbor International Airport in September, when it offers one flight between Phoenix and Seattle. MarkAir, which previously concentrated on Alaska cities, recently began more aggressively competing with Seattle-based Alaska Airlines by offering flights to other West Coast destinations.

Trade

Construction is expected to begin in November on a **PACE Membership Warehouse near the Tucson Mall**. The 108,000-square-foot discount store has a planned opening of spring 1993 and is expected to create about 150 jobs. The PACE facility will be part of a 29-acre NorthMall Center that will have several other major retailers and restaurants. Construction of those yet unnamed stores is expected to also begin around November.

Services

About one-half of the 80 employees of **Gannett Outdoor Inc. in Phoenix were laid off** in mid-August after the billboard company was sold to former Circle K Corp. President Karl Eller. Eller, who subsequently sold one-half of his share to Phoenix-based Outdoor Systems Inc., said that layoffs were part of an efficiency move and that some of the work previously performed by the laid-off workers will be contracted outside.

Work has begun on **$16 million in improvements for Desert Samaritan Medical Center in Mesa**, including $3.8 million for a new 18,500-square-foot emergency room and $3 million for a 15,000-square-foot ambulatory surgery center. The emergency room is expected to be finished by next summer, while the surgery facility should be completed by the end of 1992. No information is available on whether the improvements will generate additional jobs for the 345-bed hospital.

Willow Creek Hospital and Treatment Center in Phoenix **laid off most of its employees** in mid-August due to the closure of its in-patient treatment center. The 17-bed mental-health facility, which at one time had employment as high as 45, transferred its inpatients to Scottsdale Camelback Hospital.

Occupancy rates for Valley hotels and resorts for the second quarter of 1991 were **5 percentage-points higher** than during the same three-month period in 1991. The second-quarter rate in 1992 was 65.4 percent versus 60.6 percent in '91, and for the six months ending June 30, the rate in '92 was 70.3 percent, up from 68.1 percent in '91. Lower airline fares, discount packages, and a rise in international tourism accounted for the increase. Among Valley cities, Scottsdale posted the largest percentage-point gains in the second quarter. An occupancy rate of 70 percent is considered healthy.

The **Snowbowl ski resort near Flagstaff was sold** to an unidentified buyer in late August, after several previous attempts to sell the 787-acre property were unsuccessful. Snowbowl, which had one of its most successful seasons this past winter, was established in 1938 and operates 130 acres of ski runs. Despite its recent success, the company that owned Snowbowl, Arkansas-based Fairfield Communities, decided to sell the ski resort to help pay off debts.

Government

Northern Arizona University (NAU) has announced plans to **eliminate as many as 17 degree programs** beginning with the 1992-93 school year, which would affect 2,000 students and force the layoff of an estimated 135 faculty members. A final decision on cutbacks, which would save an estimated $3.5 million dollars from a strapped budget, are expected in late November.

Ground should be broken in November on a **250-bed, minimum-security prison in Apache County** that is expected to initially employ 112 people (90 locally). The $8-$10 million prison, which will be located on U.S. 180/666 near Lyman Lake about halfway between St. Johns and Springerville, is expected to be operational by late spring or early summer.

Although the Defense Department is cutting its budget, the **U.S. Army still needs "a few good people"** for its active and reserve forces, reports the Army's recruitment office in Phoenix. For fiscal year 1992 (Oct. 1, 1991-Sept. 30, 1992), the Army will enlist 75,000 active and 52,500 reserve soldiers, ages 17 to 34. Most of those recruited will serve only one term, or four years, says an Army press release. Among benefits offered by the Army are a wide range of transferrable skills, the Montgomery G.I. Bill, and up to $25,200 in college benefits. For additional information, contact the Phoenix recruitment office at 254-1981.

Miscellaneous

Does an ostrichburger sound appetizing? how about Cornish ostrich or ostrich a l'orange? Well, one New Jersey businessman is betting there is a market for ostrich meat and hopes to **develop the world's largest ostrich ranch in Arizona**. Meet telecommunications entrepreneur Thomas Pucci, who recently purchased a 6,500-acre cattle ranch near Wickenburg. Pucci's plan: start out with 17 pair of ostriches (which cost a cool million), then let nature take its course — and within five years, 100,000 ostriches running wild around the ranch. By then, Pucci expects to have between 30 and 40 workers trying to keep up with these birds. But in case Pucci's plans are a pipe dream (or pipe nightmare), don't apply for work at your nearest Job Service just yet. AET

Recession Not Indicated, Economic Variables Show

(continued from front page)
up to 3 percent in 1993. On a quarterly basis, real GDP growth is expected to peak in the first quarter of 1993 then level off. Thus, continued sluggish growth is expected for the remainder of 1992 with both the nation's and Arizona's economies improving in 1993.

Some of WEFA's other national economic predictions expected to impact the U.S. and Arizona economies include:

- a cautious Federal Reserve that will not further reduce interest rates unless recessionary data persist.
- the government sector, often a source of strength in a recovery, continuing to be a drag on GDP throughout the forecast horizon.
- establishment employment continuing to rise from its trough in January. Improved job prospects in the latter half of 1992 will bring people into the labor force, making the national unemployment rate remain above 7 percent through the end of 1992.
- a federal funds rate that is expected to remain below 4 percent until the fourth quarter of 1993. Long-term rates, however, are expected to rise over the next three years as inflation and business activity increase and the Federal Reserve begins to push up the federal funds rate.
- total real business fixed investment that is expected to register a 1 percent gain in 1992 and expand by 5.6 percent in 1993. Construction data indicate the decline in industrial structures may be behind us. Other structures, including hospitals, may have bottomed out as well. Once the recovery is under way, equipment expenditures are expected to be robust. AET

—DES, Research Administration

Jobless Rate Fell to 6.9% in July, But Growth Slow

(continued from page 9)
government, the closure of schools for summer vacation continued to have its usual impact. But additional federal funding for summer youth jobs helped soften government losses.

In summary, the summer doldrums and a weak national economy were the most significant factors affecting Arizona's economy in July. And the state's job market will probably continue to move sideways for at least the next few months. Without an improved national economy, Arizona can expect little economic improvement in the months ahead. AET

—Dan Anderson, Research Administrator

ARIZONA ECONOMIC TRENDS

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